Expecting too much, getting too little?

A think piece on sustainability certification auditing in the oil palm sector

Author: Dr Steve Jennings, 3keel
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Contents

1 Introduction

Sustainability certification is a major tool for purchasers and consumers to have confidence that the goods they buy have been produced without damaging the environment or exploiting people. These characteristics – the way something has been produced – are not obvious to the purchaser in the way that quality and price are. And in complex, globalised supply chains, where products are repeatedly aggregated, processed and transported, the purchaser can't know first hand how all of the farms, forests or plantations that supply them are managed.

Within certification systems, the key process in which environmental and social safeguards are verified on the ground is the audit. Other elements of certification systems are built round the audit process to increase confidence in it, such as accreditation, transparency, and the separation of roles and responsibilities of each step towards granting a certificate.

However, auditing practice is coming under scrutiny, and perhaps particularly in the palm oil sector, which is the primary focus of this paper. Firstly, there has been an increased number of complaints about certification within the RSPO system, and some high-profile failures to detect serious non-compliances. This has left many stakeholders feeling that confidence in the system is fragile. The rapid expansion of RSPO certification since its beginnings in 2004 has arguably been too quick for auditing community to keep pace. Secondly, evidence from other sectors and other types of auditing that about what works well and what works less well is accumulating. Finally, the approach to sustainability auditing is being questioned on more theoretical and ideological levels.

There are also positive reasons to think about improving sustainability auditing practices. We have a genuine opportunity to re-think and redesign sustainability certification systems for the mid 21st Century: responding to technology (mobile phones and satellite imagery, data capture and analytics, crowd sourcing); to the constantly shifting needs within global supply chains; and to emerging environmental and social priorities.

This think piece has been developed as a contribution to the Palm Oil Innovation Group (POIG). With a focus on production (rather than supply chain) auditing, the paper is intended to provoke discussion: what are the real issues with auditing, how material are they, and what might be done to address them? The document suggests some concrete steps that could be taken – some of them relatively straightforward to implement, others undoubtedly more difficult – to build a system that can deliver trust now and remain relevant in the future.

2 Expectations: what is auditing for?

"All forms of certification auditing are primarily intended to produce trust and social legitimacy in the eyes of stakeholders." Boiral & Gendron (2011)[1]

Sustainability certification systems have emerged where consumers and NGOs have raised serious environmental and social concerns about production, and when leading companies have wished to demonstrate the sustainability of their products. In globalized supply chains, many purchasers cannot know the day-to-day business of producers who are often several steps away from them in the supply

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[1] Olivier Boiral and Yves Gendron (2011). Sustainable Development and Certification Practices: Lessons Learned and Prospects. Business Strategy and the Environment. Volume 20, Issue 5, pages 331–347.

chain, which means that a mechanism has to be put in place so that the purchasers can trust that their suppliers are adhering to sustainable practices.

The primary mechanism for providing independent assurance of sustainability is auditing, or assessment. The task of the auditors (or assessors[2]) is to evaluate whether the company being audited is in compliance with the environmental, social and economic provisions of the certification system, as codified by the Standard. This assessment forms the basis of the decision about whether or not the company should be certified. This last element – issuing a certificate of compliance – is why auditing organisations are also known as 'certification bodies'. The auditors may be staff of the certification body or independent auditors that are sub-contracted by certification body to conduct specific audits.

With trust the central issue, certification systems have developed a suite of mechanisms for ensuring confidence in the findings and decisions of auditors (Box 1). These include using 'third party, independent' auditors (i.e., the certification bodies are separate organisations to the company being assessed and their purchasers)[3]; accreditation ('certification of the certifiers'); auditor training and qualification requirements; a complaints procedure; and making findings available to public scrutiny (transparency).

Good practice of the certification system is codified by ISO guidelines and standards, which lay out comprehensive institutional arrangements, processes and requirements that help to create consistency of approach. Specific codes of good practice for sustainability standards are also provided by the ISEAL Alliance[4].

The day-to-day business of sustainability auditors is to verify compliance with a standard using rigorous procedures and providing thorough, comprehensive and credible results.

Box 1: What is sustainability certification?

Although the precise details vary from scheme to scheme, the basic system for most sustainability certification is as described below[5]. This is a complicated system of rules, processes, and separation of powers that are all designed promote consistency of approach and minimise the risk of poor practice. However, behind all of these rules and processes, it is important to realise that certification systems are ultimately dependent on auditors' assessments that forest, plantation and farm operations are not harming biodiversity or people.

The standard: These are documents that set out the requirements which must be met by the forest, plantation or farm and against which certification assessments are made.

The certification process: includes the processes of confirming that the standard has been met by the company seeking certification, and ensuring confidence in that decision.

Assessments follow requirements established by the standards organization and the certification body. Auditors must collect objective evidence that a company's plans are adequate, that they are implemented and (where the standard specifies performance) that the outcome meets the requirements of the standard. This evidence is collected through a physical visit to the company, with documents scrutinised, the forest, farm or plantation examined, and managers, workers, local people, and other external stakeholders interviewed. A decision is then made as to whether the requirements of the standard have been met, whether it has been largely met with only minor corrective

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[2] In some sectors the term 'assessors' is preferred to 'auditors' to distinguish from the professional discipline of financial auditing.

[3] Auditors can be 'first party' (carried out by an organization on itself, e.g., an internal audit); 'second party' (carried out by one organization on another with which it has some form of relationship, e.g., a supplier audit); or 'third party' where the auditors are from an organization that has no relationship with the company being audited. Credible sustainability certification schemes favour the latter.

[4] http://www.isealalliance.org/our-work/defining-credibility/codes-of-good-practice

[5] Ruth Nussbaum, Steve Jennings & Michael Garforth (2002). Assessing Forest Certification Schemes: A Practical Guide. Pro-Forest.

actions required, or whether the company's performance has major deficiencies that must be corrected before it can be certified.

All of the credible sustainability standards, including FSC, RSPO and RTRS, specify that the certification body is independent of the company being assessed: so called 'third party independent audits'. As well as being independent, certification bodies should fulfill general requirements of impartiality, a quality management system, and requirements on the conditions for granting certificates, as described by ISO[6]. Critically for the purposes of this document, the competence of the personnel doing the audits is also covered by these guides: a team leader that is adequately trained; a team with the combined expertise to assess all aspects of the standard, and who are able to interpret the standard being assessed.

The accreditation process: one of the ways of building confidence in certification, accreditation, is the process of 'certifying the certifier' in which an independent organization provides assurance that a certification body is competent. Accreditation bodies also have requirements (ISO/IEC 17011:2004), which include the organization of the accreditation body, and the way that they carry out accreditation.

Complaints procedure: A second mechanism for building confidence in certification is having a complaints procedures allow third parties to get a response to their concerns about a certification decision. ISO guidelines specify that certification bodies should have policies and procedures for the resolution of complaints, appeals and disputes.

Transparency: The third mechanism for building confidence, transparency is ensured by allowing interested parties direct access to non-confidential information about the process and results of certification assessments. In practice this usually involves providing publicly available information on the certification body, consultation with stakeholders, and providing a public summary of the audit findings.

Claims: If claims are going to be made on the products coming from certified companies, then mechanisms for controlling the claims are also required. These can include mechanisms for tracing the material from certified companies (if the scheme includes identity preserved, segregated or mass balance mechanisms) that are, in the more rigorous certification schemes, verified by independent third parties (certification bodies). The rules governing the labeling of those products are set out by the standards body.

3 Limitations with auditing practice

'For organizations and stakeholders alike, one of the key questions is: to what extent is certification auditing reliable, relevant and trustworthy enough to significantly contribute to the realization of accountability for sustainability?' Boiral & Gendron (2011)[7]

The previous section described the purpose and practice of sustainability auditing. This section outlines some of the criticisms that have been made of auditing in the literature and from key informants (summarized in Table 1, below). These are focused on RSPO, but many if not all of these issues are found within other sectors, including forestry, the apparel sector, and others.

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[6] ISO/IEC 17011:2004 and ISO/IEC 17021:2006

[7] Olivier Boiral and Yves Gendron (2011). Sustainable Development and Certification Practices: Lessons Learned and Prospects. Business Strategy and the Environment. Volume 20, Issue 5, pages 331–347.

Table 1: Overview of problems identified with auditing practice

Issue	Description
Complexity	Sustainability standards contain a very broad range of requirements, many of which are highly technical. In addition, the need for global applicability means that the requirements and outcomes are often open to interpretation. Thus auditors not only have to cover a huge range of topics, they have to rely heavily on their judgment about situations that are not always clear.
Hard to detect issues	Some issues are almost impossible to detect during a short visit. These include important social and environmental issues.
Forms of evidence	Sustainability auditing has been heavily criticised for an over-reliance on auditing what can be inspected (i.e., documents) rather than what is important (the outcomes of a company's activities). The corollary of this is that certain forms of evidence – which may be critical to some sustainability issues – are treated as less important.
Financial linkage	The financial reliance of certification bodies on the companies they are auditing calls into question the real degree of independence, especially when auditors are members of the certification body staff. In addition, some certification bodies conduct other work (e.g., multistakeholder projects) with companies they also audit.
Insufficient time and resources	Certification audits typically last only a few days and are conducted by a small team. There is little or no opportunity to go deeply into any of the issues that are covered by the standard.
Auditor competence	Auditors need a range of professional and technical competencies. It is widely acknowledged that there is variation between auditor competence, and that not all have received sufficient training.
Reluctance to criticise	Auditors need to be able to make and communicate clear decisions about whether a company is in compliance with the standard or not. However, as the company hires the certification body, the auditor is financially dependent on them (directly if auditors are certification body staff, indirectly if they are independent auditors hired by the certification body), and this may lead to reluctance to conclude that a company is not in compliance. This is exacerbated in cultures in which it is seen as inappropriate to criticise others.
Habituation of auditors to a company	Certification bodies – and sometimes the same auditors – will often repeatedly audit a company. This can lead auditors failing to pay full attention to the company's activities ('if it was OK last time I don't need to look too hard'), or an individual auditor's 'blind spots' can mean that some issues are never properly assessed.
Cheating	Although there is no way of knowing how much this occurs in sustainability audits, in any system there will occasionally be cheats, who will falsify findings, perhaps sometimes in return for bribes. Conversely, companies may try to cheat the auditors (e.g., by preparing documents only for the audit, or by schooling workers in what they should and shouldn't say) and this may not always be possible for auditors to discover.

3.1   Complexity of the audit

Sustainability is a complex notion, which sustainability standards reflect in the broad range of issues that they expect companies to comply with, and auditors to assess. It is safe to say that no one individual, or small team, could have genuinely expert knowledge or always be able to judge complex trade-offs on the full range of issues such as law, biodiversity conservation and monitoring, workers rights,

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water management, integrated pest management, indigenous land rights, social survey methods, occupational health and safety, harvesting and processing techniques … to name just a small subset of the criteria and auditing techniques demanded by certification systems. This can lead auditing teams looking for non-compliance where they happen to have specific expertise, or that are easy to find[8].

But sustainability standards are not only broad of scope, they are often ambiguous in their detail. This is perhaps inevitable given the need for standards to apply across all geographical, biological, social and production contexts. However, the consequence is that standards often present a general statement of what constitutes compliance, which requires further interpretation nationally, then by the producer company, and again from the auditors. For example, it has been argued companies have deforested areas that many conservation organisations would deem non-convertible, with auditors unable or unwilling to challenge it due to the ambiguity of the RSPO standard on biodiversity and high carbon stock forest[9]. The scope and complexity of standards also presents a significant barrier to smallholders seeking certification, to which some parts of the standard may be scarcely relevant, whilst others assume a high level of technical achievement.

3.2   Hard to detect issues

Some issues are simply harder to detect than others. Unfortunately, these include some of the issues that are most important to many stakeholders. Some these include:

- **Social issues.** It is well established in other sectors that social audits are often able to detect issues such child labour, whereas harassment, limitations of the right to organize, and discriminatory hiring are less often detected[10]. In RSPO certification, auditors have reportedly missed issues such as Free, Prior and Informed Consent (FPIC), and the use of forced labour[11]. This can be made more complex by cultural perceptions of what constitutes forced labour and where elements of it are enshrined in common practice (e.g., passport withdrawal).
- **Biodiversity.** Field evidence of the presence of rare, threatened or endangered species[12].
- **Legal issues.** Some legal issues, such as land titles, are highly variable between jurisdictions and can obscured by multiple, sometimes contradictory laws.

Sustainability audits usually last only a few days, and inspecting documents, observations and interviews will not always be enough to detect non-compliance in hard to detect issues. Workers and communities may be unwilling to talk to an outsider about their situation, and the role of auditors isn't to monitor species populations. These issues are therefore more likely to be judged as being compliant with the standard because of an absence of evidence, rather than because of an abundance of evidence that all is well.

3.3   Forms of evidence

Auditors rely on three sources of information: documents, observation and interviews:

- **Documents.** Documents – either alone or with other forms of evidence – are the overwhelmingly predominant source of information used by auditors in sustainability certification. Sometimes this is a direct consequence of the way that the Standard is written ('the management plan should contain x, y and z'), but most often documents are used as a proxy for

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[8] Anecdotally, chemical stores seem to be a favorite place to 'look' for non-compliance, as the evidence is physical and requires no more than common sense to detect.

[9] Denis Ruysschaert & Denis Salles (2014). Towards global voluntary standards: Questioning the effectiveness in attaining conservation goals: The case of the Roundtable on Sustainable Palm Oil (RSPO). Ecological Economics, Volume 107, November 2014, Pages 438–446

[10] For example, O'Rourke, D. (2000). Monitoring the monitors: A critique of PricewaterhouseCoopers labor monitoring. Available at http://www.bollettinoadapt.it/old/files/document/18107ROURKE_2000.pdf, and
Clean Clothes Campaign 2005. Looking for a quick fix: How weak social auditing is keeping workers in sweatshops, Amsterdam. Available at
https://www.evb.ch/fileadmin/files/documents/Konsum/Quickfix05.pdf

[11] EIA (2015). Who Watches the Watchmen. Auditors and the Breakdown of Oversight in the RSPO.

[12] Denis Ruysschaert & Denis Salles (2014). *Ibid.*

actions. For example, an auditor may check whether a plantation has records of soil analysis as a proxy for whether the soils are sustainably managed. The assumption behind the use of documents in the RSPO and other sustainability auditing systems is that they reflect organisational practice[13].

- **Direct Observation.** Physical inspection of on-the-ground operations are used to assess elements of practice, such as the use of personal protective equipment, availability of up to date first aid kits, the presence of conservation areas, the implementation of soil erosion control measures, and the storage facilities for hazardous chemicals. Typically a sample of the operation will be inspected, rather than the whole.
- **Interviews.** Interviews are usually held with a sample of managers, workers, community members, other external stakeholders and independent experts. Auditors use interviews to check on issues such as land disputes, dispute resolution, workers terms and conditions, and communication of company procedures.

Analysis of the RSPO's checklist for auditors shows the reliance that auditors place on documents: 55% of the indicators for the standard can be verified by documents alone, with another 42% requiring documents supported by observations and/or interviews (Box 2). To those unfamiliar with auditing, it will certainly seem strange that more than half of the activities that constitute sustainable management can be judged by looking at documents.

On a deeper level, the reliance on documents may also lead to other forms of evidence being ignored, and some types of stakeholder marginalised. As Laura Silva-Castaneda argues in relation to customary land rights '*Trees in particular have a special status; their history is the guarantee of the link that has long been established between the villager and the land … [for the communities] The tree itself constitutes a stronger proof than the formal proof of the land certificate … However, auditors rarely recognize these localized markers as valid evidence*' and '*Thus the voice of these parties may not be heard.*'[14] The same author also highlights the problems that auditors face with this type of non-documented cultural evidence: after all, they have to make a judgment and that judgment has to be evidenced. Documents will usually seem to be stronger evidence than fragments of cultural history. The reliance on documentation also presents a barrier for smallholders, who may not have the skills or the time to prepare and manage all the documentation systems required.

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[13] Olivier Boiral and Yves Gendron (2011). Sustainable Development and Certification Practices: Lessons Learned and Prospects. Business Strategy and the Environment. Volume 20, Issue 5, pages 331–347.
[14] Laura Silva-Castañeda (2012). A forest of evidence: third-party certification and multiple forms of proof—a case study of oil palm plantations in Indonesia. Agriculture and Human Values, Volume 29, Issue 3, pp 361-370

Box 2: A heavy reliance on documents

The RSPO has developed a generic checklist for auditors of palm oil plantations,[15] which specifies the evidence that should be used to assess compliance of a plantation with the RSPO Principles and Criteria. The checklist is designed to ensure that consistent and accurate assessment take place, and accredited certification bodies are encouraged to use it, adapted for national interpretations of the standard where necessary.

These checklist elements – the evidence that auditors should use to verify compliance – were analysed by assigning them to one of four categories:

- **Document only**. This is where the checklist only requires the existence of a document, or a document that includes specified elements, but does not ask for a defined outcome. For example, for Criterion 1.3, the checklist element 1.3.1a requires auditors to verify '*Is there a written policy committing to a code of ethical conduct and integrity in all operations and transactions?*'
- **Document with specific outcome**. The checklist requires a specific outcome from a document, with the judgment of the auditor required about whether the documented approach meets the criterion. For example, for Criterion 4.1, checklist element 4.1.1e requires auditors to verify '*Are the SOPs appropriate and adequately cover all estate and mill processes and activities?*'
- **Part document.** The evidence could only be partly contained within a document, with interviews with managers, workers and other stakeholders, or direct observation of the plantation's operations also necessary. For example, for Criterion 4.6, checklist element 4.6.4e requires auditors to verify '*Does physical verification of inventory in the chemical store agree back to the inventory records?*'
- **Observation and/or interviews.** The checklist specifies (or implies) that the observation of the plantation's operations and/or interviews are needed. For example, under Criterion 2.2 checklist element 2.2.2b requires auditors to verify '*Is there physical presence of boundary markers?*'

The results of this analysis are striking: over half of the 510 checklist elements can be verified by documents alone, and only 45% require observations and/or interviews either alone or alongside documents:

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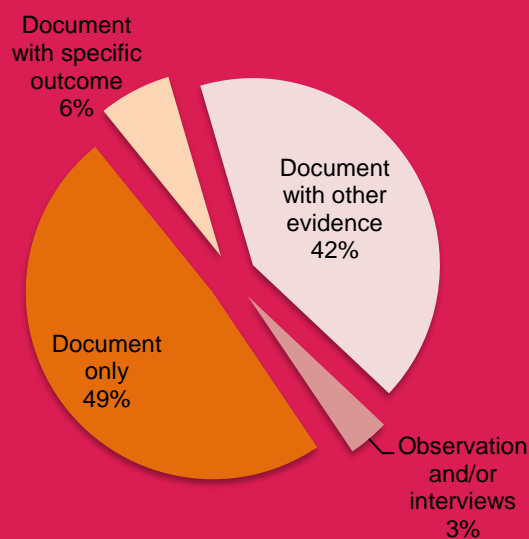
15 RSPO P&C 2013:Audit Checklist for assessing compliance. http://www.rspo.org/resources/key-documents/certification/rspo-principles-and-criteria

3.4   Financial linkage

Certification bodies are 'independent third parties' in the sense that they are organisations that are not part of the physical supply chain of palm oil, timber, cotton or whichever commodity is being certified. However, this is a specific technical definition of 'independence': the certification body is contracted by the company seeking certification, and thus has a commercial relationship with them.

Individual auditors are either staff of the certification body or independent experts sub-contracted by the certification body to conduct specific audits. When auditors – and particularly lead auditors – are independent, then there is a degree of separation between them and the auditee, but less so if they are certification body staff.

This is not to say that many or most auditors are incapable of making independent decisions whether or not their organization is paid by the auditee. However, almost all of the informants interviewed for this paper highlighted that the fact that certification bodies are contracted and paid by the company being audited creates a credibility gap in sustainability auditing.

There is also rigorous evidence from other types of audit that breaking this financial linkage not only results in better auditing, but also results in better company performance. In Gujurat, India, paying factory pollution auditors from a central fund made auditors more likely to grade identified problems as non-compliances, and resulted in fewer companies causing major pollution[16].

3.5   Insufficient time and resources

'*They are selected on price*'. That was the forthright response of one informant when asked whether certification bodies put sufficient resources into audits. It is hardly surprising then, that small teams (perhaps three or four auditors) spend a just few days assessing the compliance of large, complex companies that may also source palm oil from hundreds of smallholders in the vicinity, with a wide-ranging and sometimes ambiguous standard, that includes issues which are hard to detect. Certification bodies have to be able to at least cover the costs of auditing of fulfilling the ISO requirements on certification bodies (if they are NGOs), and most have to make a profit (they are companies).

Competing for work with other certification bodies will therefore often mean minimising the time spent auditing, hiring relatively inexperienced and therefore cheap auditors, and paying even experienced auditors low rates, all of which serve to undermine the quality of work that auditors do. Some palm oil companies also feel that there is little transparency about how certification bodies price their work, which means that they are not assured of getting better a quality audit if they pay more. Anecdotally at least, a number of experienced auditors are leaving the field due to poor pay, whereas some certification bodies apparently see cheap audits as a way in to more lucrative consulting.

3.6   Auditor competence

There is no question that auditing is a difficult and demanding job, as the following quotes illustrate: '*The ideal monitor would be a labor-lawyer-accountant-sociologist- investigative-reporter-health and safety specialist under thirty*'[17] and '*It's all about the soft skills and humility, but you can't teach soft skills*'.[18]

It is hardly surprising that few auditors achieve this ideal, but then most companies are realistic enough not to expect the 'ideal' auditor, and would be happy with a high degree of professionalism. Worryingly, they often don't even seem to get that: informants observed that auditors (especially in RSPO) were often lacking in the most basic technical, professional and human skills.

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[16] Esther Duflo, Michael Greenstone, Rohini Pande and Nicholas Ryan September (2015). Truth-telling by Third-party Auditors and the Response of Polluting Firms: Experimental Evidence from India. Quarterly Journal of Economics, Volume 128, Issue 4, pp 1499-1545.

[17] Clean Clothes Campaign 2005. Looking for a quick fix: How weak social auditing is keeping workers in sweatshops, Amsterdam.

[18] Dr Simon Lord, *pers. comm.*

Anecdotes include a four person audit team, only one of whom had even been to the country before or spoke the local language; auditors who are determined to find something wrong however trivial; and auditors that apply set sampling strategies irrespective of the risks of non-compliance. There is evidence that different certification bodies, and individual auditors do not reach the same findings[19], and accusations of downright incompetence[20]. Within RSPO, additional criticism is leveled at the quality of training received by auditors: '*they are trained in the standard, but not in how the standard is applied in practice*'[21], and that '*we had three hours training on HCV … its not possible to understand complex issues like HCV, FPIC, gender* [in this amount of time]'.[22]

3.7　Reluctance to criticise

Auditors need to be able to make and communicate clear decisions about whether a company is in compliance with the standard or not. These are findings, rather than criticisms *per se*, and good auditors will present them as such. However, that can be easier said than done. The financial dependency of certification bodies on the companies being audited must surely sometimes incline auditors away from reaching firm conclusions on non-compliance, perhaps lodging an 'observation' instead. The auditor may be unsure of their ground: they will always know less about the company being audited than the company staff, and may therefore feel less than absolute certainty in their findings. In some cultures it is inappropriate to appear to criticise others of higher status. These factors can all contribute to a reluctance to reach firm conclusions on non-compliance.

3.8　Habituation of auditors to a company

The same certification body, and sometimes the same auditors, repeatedly assess the same company. Continuity can be extremely useful for companies, as it means that previous observations can be built upon to suggest changes and innovation. Equally, auditors can become over-familiar (habituated) with a particular company, and stop 'seeing' things because of expectations formed from previous audits. The FSC has introduced a limit on the number of successive years that the same auditor can audit a company in response to this problem.

3.9　Cheating

It is well established in sectors such as the clothing industry that companies deliberately manipulate audits, by producing compliant but false documents (e.g., false payroll, timesheets & contracts) and carefully schooling workers on what they should and shouldn't say to auditors[23]. There have also been accusations of fraudulent auditing within the RSPO[24].

4　What are the effects of these failings?

All of the informants interviewed for this work that have direct experience with the palm oil sector confirmed that these problems were material within the RSPO. The RSPO has dealt with more than 60 complaints since certification started in 2008, with an increasing number addressing the auditing process. In their 2015 publication, 'Who Watches the Watchmen?' the EIA record ten major failings with RSPO auditing.

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[19] Friederike Albersmeier, Holger Schulze, Gabriele Jahn & Achim Spiller (2009). The reliability of third-party certification in the food chain: From checklists to risk-oriented auditing. Food Control, Volume 20, Issue 10, pages 927–935.

[20] EIA (2015). *ibid*.

[21] Petra Meekers, *pers. comm.*

[22] Jenny Walther-Thoss, *pers. comm.*, speaking of her experience of RSPO lead auditor training.

[23] Clean Cotton Campaign (2005) *ibid*.

[24] EIA (2015). *ibid*.

There was also agreement amongst informants that the problems with auditing within RSPO could erode confidence in the scheme. Other informants confirmed that many of the same issues occur within other sustainability certification schemes as well.

5 Cause and effect: drivers of poor and inconsistent auditing

When a patient goes to a doctor with a headache, the doctor can decide to treat the symptom (by administering a painkiller) or try to discover the disease or condition that is causing the headache and treat the disease. Having identified the underlying cause, a painkiller might turn out to be the correct response, for example if the condition is temporary. But the cure may be entirely different if the condition or disease behind it is permanent or serious. So far, we have only considered the problems with sustainability auditing – the symptoms – but before proposing treatment it might be useful to try to understand some of the underlying causes of these problems.

Figure 1 illustrates a first attempt to organise some of the drivers of auditor behaviour that are resulting in inconsistent auditing practice. The drivers identified are: auditing norms (as codified by ISO); the complexity and ambiguity of standards; competition for business between certification bodies; cultural norms; financial dependency of the certification body on the company being audited; and corruption. In practice, each auditing problem is likely to be caused by more than one of these drivers. For example, a combination of the scope and ambiguity of the standards, plus price competition lead to insufficient time and resources being given to audits. Overall, the problems with auditing seem to separate into four clusters, each cluster having a common set of drivers:

Cluster 1: Auditing norms. The ISO based system, the complexity and ambiguity of sustainability standards and price competition will together tend to promote auditing practices that are largely document based, that will struggle to deal with 'hard to detect' issues, and where auditors have to make judgement calls either because what constitutes compliance is ambiguous or because it is outside the expertise of the team.

Cluster 2: Time and quality. Insufficient time and resources to do a thorough job and low auditor competence are primarily driven by price competition, which reduces the ability of certification bodies to hire high quality people, invest in their training, or provide sufficient time on the ground. The scope and ambiguity of the standards makes this all the harder.

Cluster 3: Divided loyalties. The reluctance to criticise, habituation to customers, and financial linkage between certification bodies and auditees are driven by financial dependency of certification bodies (and staff auditors) on the company being audited. Cultural norms in some countries make it difficult for auditors to be seen to criticise others.

Cluster 4: Corruption. Cheating behaviour by companies and auditors is driven by low margins in the system (for both producers and auditors), as well as, in some countries, societal norms that make corruption to some extent usual.

Figure 1: Underlying drivers of the problems observed with sustainability auditing
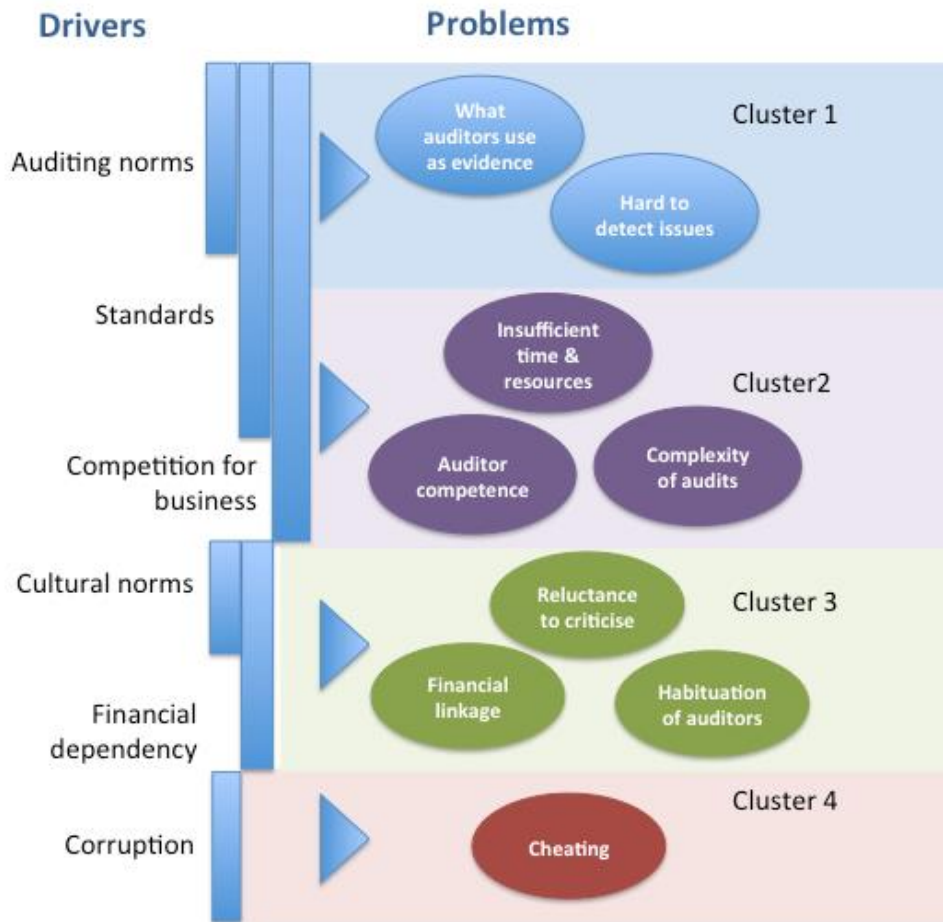

6 Proposed solutions

'Audit failures that catch the attention of the media often provoke a flow of criticism targeting auditor independence, which is quickly followed by the profession's standards of independence being changed and their enforcement mechanisms being apparently strengthened. Although they are often effective in appeasing public criticism of auditors, these changes tend to remain superficial in scope, because they typically fail to address what several authors view as fundamental structural weaknesses' Boiral & Gendron (2011)[25]

The issues discussed above are not new within the sustainability certification world. Various solutions have been put forward (Table 2), and in some cases tried. These solutions broadly fit along a spectrum of evolutionary change (i.e., tightening the existing system), through to more radical, revolutionary change[26] (Figure 2). Amongst the former group are improved auditor training, maintaining a roster of high quality lead auditors, limiting the number of successive audits that one auditor can carry out, and un-announced (or surveillance) audits. These measures are all firmly within ISO norms, do not alter the impacts of price competition, make the standard easier to implement and audit, or alter the financial relationship between certification body and auditee. They are, however, comparatively easy to implement, and should provide some improvements.

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[25] Olivier Boiral and Yves Gendron (2011). *Ibid*.
[26] Thanks to Patrick Mallet for his insightful framing of the possible solutions as evolutionary and revolutionary.

Figure 2: Evolutionary and revolutionary approaches to sustainability certification auditing
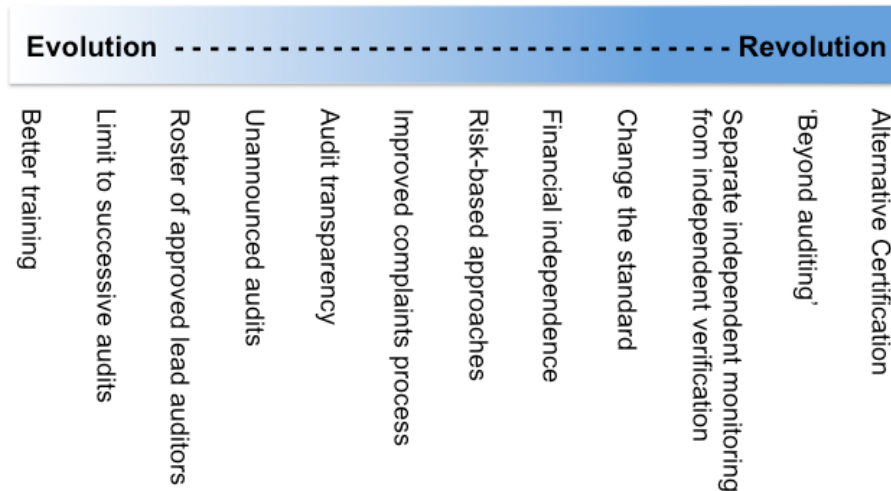
Further down Table 2 are the interventions that are more radical departures from the current system and are completely different approaches to resolving supply chain problems (such as 'Beyond Auditing' approaches and 'Alternative Certification'[27]). These approaches would largely remove the drivers behind the current issues. They would, though, potentially create a new set of problems (e.g., they may be more open to cheating), and seem of limited application to complex, global, commodity supply chains.

Somewhere in between these two ends of the spectrum are a group of interventions that address some of the drivers of poor auditor performance, without necessarily discarding the advantages of the current system. These include separating monitoring from auditing for 'hard to detect' issues, simplifying and focusing the standard onto a few key outcomes, risk-based approaches[28], and de-linking the financial relationship between auditors and auditees. In practice, this set of interventions would be likely to be less straightforward to put into practice than the more 'evolutionary' approaches, but their potential to address the underlying causes of poor auditing is far higher.

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[27] Maria Fernanda Fonseca (2004). Alternative Certification And A Network Compliance Assessment Approach. IFOAM
[28] For example, Friederike Albersmeier, Holger Schulze, Gabriele Jahn & Achim Spiller (2009). The reliability of third-party certification in the food chain: From checklists to risk-oriented auditing. Food Control, Volume 20, Issue 10, **p**ages 927–935 and Heidrun Moschitz (Ed.) (2011). The Potential Of Alternative Certification Systems. CERTCOST Project.

**Table 2: Improvements to sustainability auditing practice that have been proposed and/or implemented**

Solution	Description
Better training	Changing the rules of accreditation to ensure that certification bodies invest in high-quality training for auditors, and that only trained auditors are allowed to conduct assessments. Pros: Should help to eliminate seriously under qualified auditors from the system Cons: Better training does not automatically translate to better practice, if for example, auditor retention is low
Limit to successive audits	A rule within the certification system whereby no auditor can conduct successive audits for the same company for more than a set number of years. Has been adopted by the FSC. Pros: Eliminates habituation of an auditor to a company Cons: Reduces a company's ability to build upon successive observations
Roster of approved lead auditors	The accreditation body holds and maintains a roster of accredited, high quality lead auditors. Pros: Straightforward to administrate, and should ensure that lead auditors are all of sufficient quality. Cons: Assumes that enough high quality lead auditors are out there. If there isn't, the quality of their work suffering as a result of over commitment.
Unannounced audits	The certification body and/or the accreditation body reserve the right to audit the company without prior warning. Used in some certification systems, and has been used to a limited extent by ASI, the RSPO accreditation body. Pros: Likely to identify inadequate auditing and auditors, and can detect cheating (e.g., the production of false payrolls for audits). Cons: Companies often resist, and there can be genuine difficulties in auditing without preparation (e.g., gaining access to communities)
Audit transparency	There is already considerable transparency in the best certification systems, and there are opportunities to change auditing and certification body behavior by increasing it further: more transparent pricing (so that companies can make proper comparisons between the price and quality); making full audit reports (rather than uninformative summaries) publicly available with only sensitive information redacted; treating audit reports as professional, unchangeable documents (so that certification body decisions are more transparent). Additional measures might include inviting NGOs with relevant technical expertise to observe audits,[29] and specifying that lead auditors are independent sub-contractors. Pros: Would enable companies that want a high quality audit to get it, and enable certification bodies to price according to expertise, put more onus on auditors to focus on quality rather than a 'checklist' approach, and increase the openness of certification decisions. Cons: Likely to be resisted by some certification bodies, and may lead to a 'two tier' system with some audits less credible than others.
Improved complaints process	Making the complaints process more accessible and using the pattern of complaints as a guide to where non-compliances are likely to be found. Pros: Builds on existing and accepted systems, if designed correctly could be a key source of data for risk-based approaches, and could integrate mobile phone and social network technology. Cons: An 'after the horse has bolted' approach, and assumes that stakeholders understand the standard, and are willing and able to make complaints. Also potentially open to abuse from stakeholders targeting a company unjustly ('spurious complaints').

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[29] One informant cited a company in a different sector that invites NGOs with expertise in labour issues to observe audits of their company.

Risk-based approaches	The accreditation and/or certification body identifies the most likely areas of significant non-compliance for companies/geographies and anomalous auditor performance, and these risks become the focus of the audit/accreditation rather than all elements of the standard being treated equally. Risk based approaches are being adopted by some accreditation bodies and are widely used by companies with complex global supply chains. Pros: Focuses the audit effort on where issues are likely to be found, and for 'routine' issues the focus could be on continual improvement. Could potentially lead to certification bodies playing a key role as strategic information providers to producers and certifiers, and could take advantage of technology (e.g., remote sensing, crowd sourced data). Cons: Effectively assumes that some issues are in compliance, and reduces the chances of unexpected non-compliance being detected (the 'unknown unknowns'). Arguably, any high quality auditor already incorporates an understanding of risks into their assessment design.
Financial independence	Companies seeking certification pay into a fund, with the certification body then allocated to the company by an independent process. Has improved the standard of auditing and company performance in pollution auditing, and was proposed within FSC but not adopted. Pros: In other systems has been shown to improve both auditor and company performance. Cons: Some certification bodies are likely to resist if they feel it would make their income less secure
Change the standard	Companies at the head of the supply chain (and some NGOs) increasingly prioritise eliminating deforestation, forced and child labour, and abuse of community land rights from their supply chains. This implies focusing the standards on these core issues. Pros: Would allow audits to focus on a smaller set of issues, and permit a cadre of expert auditors to be developed on those issues. Cons: In practice the multi-stakeholder nature of many standards will make it difficult to do: every element of current standards is regarded as critical to one or more stakeholder.
Separate independent monitoring from independent verification	Performance on some of the 'hard to detect' issues (which largely overlap with the issues becoming critical for upstream companies) can only feasibly be detected by independent and expert monitoring, not auditing. The idea could be implemented, for example, by the standard setting organization partnering with reputable biodiversity and social research organisations and specifying the frequency with which companies would commission monitoring from them, with auditors then verifying that the monitoring had taken place and the management response to the findings. Pros: Would reduce the job of auditors to what can realistically be audited, and could take advantage of technology. Cons: Even though audits might become cheaper, the overall cost to producers would be likely to increase.
Alternative Certification	Some argue that sustainability auditing worked well in the early years because the auditors were known and trusted by stakeholders and knew the company and the context well. The entry of large, commercial certification bodies has eroded this relationship-based trust. Organic certification still retains elements of this, as it allows 'Alternative Certification' which relies on an educational process and social control involving all actors from value chain rather than outside, independent verification. Pros: Develops, and relies upon, a high degree of trust. Cons: Not readily applicable to long, complex commodity value chains.
'Beyond auditing'	Proposed in the clothing sector for labour issues, 'beyond auditing' relies on a suite of measures such as effective trade union representation of workers rights and company human resource systems, and influencing government practice to ensure that problems don't occur in the first place. Pros: Tackles the root cause of inadequate workers' rights Cons: Doesn't replace the need for auditing as there still needs to be a guarantee that it is being done and that it is effective

The way that these solutions map onto the drivers of poor auditing identified in the previous section are illustrated in Figure 3. The proposals to tighten the existing system, such as better training and having a roster of qualified lead auditors are mostly addressing the issues of time and quality in Cluster 3. However, these approaches don't address the underlying drivers of poor auditing, rather they address the symptoms. The approaches that are towards the centre of the 'evolution to revolution' spectrum are better at addressing the underlying drivers of poor auditing.

Figure 3: Mapping proposed solutions to poor auditing to the drivers of poor auditing
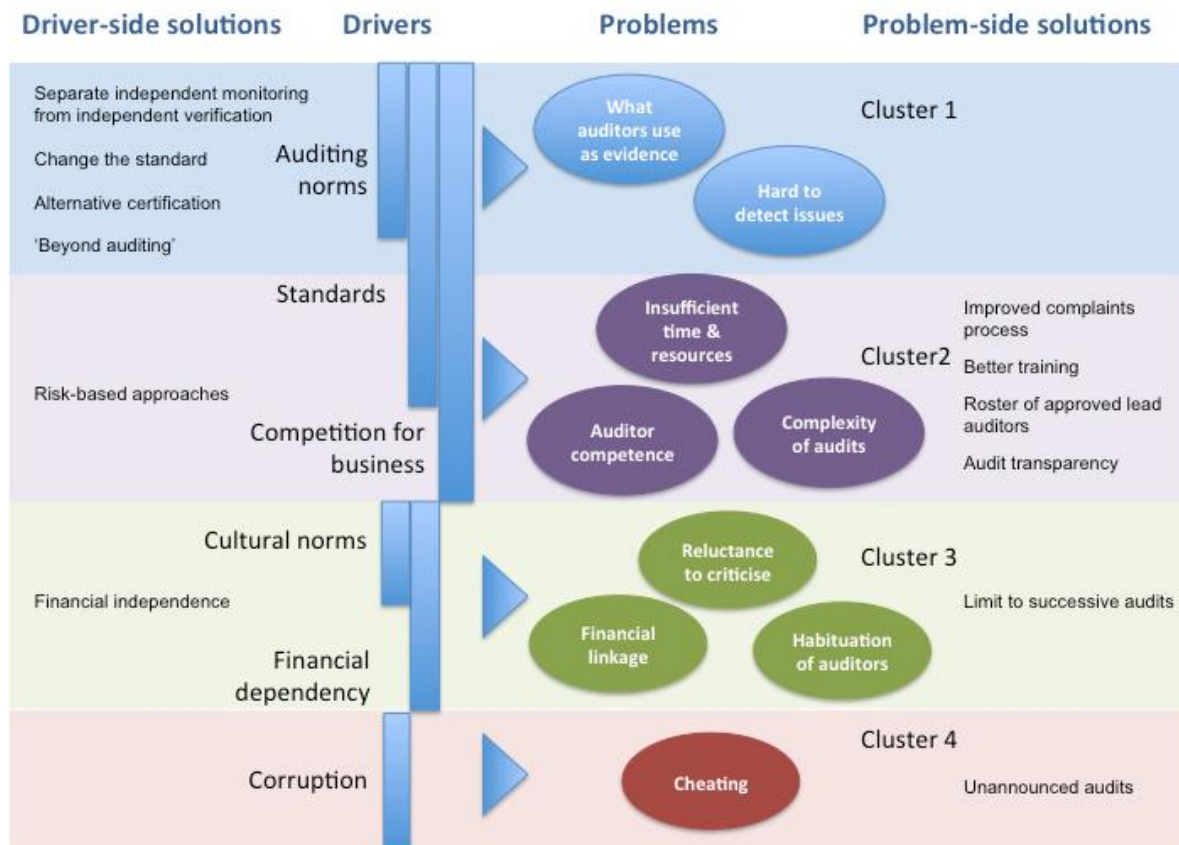
7 Evolution or revolution?

"We need change. That change can have different forms" Petra Meekers, pers comm.

In the preceding pages I have argued that there are a number of issues with auditing practice in sustainability certification systems, that these problems are material (especially with respect to the main focus of this paper, the RSPO), that these problems are symptoms caused by underlying drivers within the system, and that the solutions proposed to improve sustainability auditing practice range from the evolutionary to the revolutionary. This begs a simple question: can the system be fixed by minor improvements (evolutionary change) or is the system becoming unfit for purpose and in need of more fundamental overhaul (revolutionary change)[30]?

The answer to that question is a matter of opinion and perspective. There are clear limits to what certification can and cannot deliver: for example, there is little evidence that certification has eradicated deforestation or land rights abuses within the palm oil or timber sectors as a whole, even if certified

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[30] Or alternatively, radical change might create opportunities that a modification of the current system wouldn't.

supply chains might be reasonably confident that their raw materials are not associated with such practices. There seem few incentives and many barriers to smallholders – who produce 40% of palm oil – becoming certified. Certification can, though, provide a market signal to what is needed to access certain markets, and is part of a dialogue between business and civil society on some of the key issues of our time.

My own opinion is that what is needed is some evolutionary change and some revolutionary change. The evolutionary change will help to fix problems that urgently need improving now. For example, there seems no reason why RSPO lead auditors should not come from an approved roster, that accreditation bodies are stricter in the training requirements that certification bodies have to implement, or that the number of successive audits that one auditor can do is limited.

But these evolutionary changes don't address the drivers of poor auditing, nor do they respond to emerging issues of supply chain governance and technology. Therefore deeper change is also needed. Some of the more radical proposals referred to above– 'Alternative Certification' and 'Beyond Auditing' approaches – essentially abandon the ISO-based system entirely in favour of democratic participation and investment in improving deep-seated social issues. It seems to me, though, that they assume the best from all participants, and are better suited to short, local supply chains than the long, complex and opaque supply chains that characterise the trade in most commodities. In practical terms, there is probably therefore a limit to revolution, but that doesn't mean that the system cannot be changed profoundly.

8   Five ways to improve sustainability auditing

The task of building trust within globalised supply chains is a tough task for the auditing process: we are expecting a lot. But it is too important a task to be allowed to stand still when things can be improved. Sustainability certification systems – including the role of auditing – will inevitably change if they are to remain relevant, as businesses operations, social expectations, technology and political contexts change around them. In the challenge of inconsistent auditing there is therefore also an opportunity: to begin to align sustainability certification to the needs of the coming years.

My top five suggestions for improving sustainability auditing are listed below. The first two focus on dealing with critical issues now, the next three on starting to build a better system for the future. The suggestions are mutually inclusive. Evolution *and* revolution.

1.   Remove the financial link between certification bodies and the company they are auditing.

This is – in theory at least – the most straightforward structural change that RSPO and other sustainability certification systems can make. What this system would do would reduce the financial linkages between certification body and auditee; reduce the likelihood of habituation of auditors to the company; and reduce the reluctance to criticise. Experience from the pollution sector – albeit very different from sustainability certification – has shown that this not only increases the independence of auditors and quality of audits, but also improves company performance.

This system could be implemented by having companies seeking certification pay into an escrow account. This account could be managed either by the RSPO Secretariat or by a third party. Selection of the audit team could be in response to a tender, or perhaps by selecting the best available lead auditor from a roster, with the certification body that employed the lead auditor responsible for supplying the rest of the team. Either way, the selection criteria should be transparent and based on a combination of the competence of the proposed team, and cost. A similar system is used in Ontario for Independent Forest Audits, in which certification bodies are eliminated entirely by using a roster of independent, accredited auditors. I would also recommend that if piloted, the system is rigorously monitored by a research institution to assess its impact.

Potential downsides of this proposal are that it would impose an additional layer of administration, and certification bodies are unlikely to favour a system that prevents them from having long-term clients on their books. Some companies also argue – rightly or wrongly – that such a system is more costly, as market competition amongst certification bodies is curtailed. However, the benefits surely outweigh these downsides.

2. Improve the quality of auditors.

Create a roster of approved, high quality lead auditors, and better-trained teams. The roster would be administered by the scheme's accreditation body, which would also be responsible for monitoring lead auditor performance and for specifying the requirements for a transparent progression path for auditors to join the roster, and the mechanism for removing an under-performing auditor from it. The accreditation body would also specify more rigorous auditor training requirements that certification bodies would need to implement to make auditors eligible to be on audit teams.

These measures essentially tighten the existing system without addressing the underlying causes of the problems. They can nonetheless provide a much needed 'quick win' of better quality auditors.

3. Separate what needs monitoring from what needs auditing, and treat them differently

There are key sustainability outcomes within any standard that first and foremost need to be monitored well, and independently. Within the RSPO, these might include deforestation, some aspects of HCV (e.g., populations of rare, threatened and endangered species), elimination of forced and child labour, illegality, and use of community land without Free, Prior and Informed Consent. These are issues that cannot be meaningfully judged by an auditor scrutinising documents, holding a few meetings, or by brief and non-expert observation. In any case, '*outcome orientated metrics from technology are coming in from outside certification, these will replace standards systems if we don't adapt*'[31]

This development could be implemented by the standard setting organization partnering with reputable biodiversity and social research organisations. They would specify the frequency with which companies would commission monitoring from them, with auditors then verifying that the monitoring had taken place and that the management response to the findings are appropriate. The research organisations could potentially engage communities for community-based biodiversity monitoring[32], providing a participatory and ongoing element.

Separating monitoring of hard to detect issues from auditing would reduce the problems of 'hard to detect' issues, the scope and ambiguity of the standards, and the forms of evidence that auditors used. It could also start taking advantage of technology – crowd sourced data, mobile phones, remote sensing, data capture and processing capacity – with potential for collaboration amongst certification bodies and the standards setting organization.

The role of audits could potentially become more focused on management systems: with the key outcomes independently monitored, auditing would be re-purposed on verifying that management systems were setting targets, developing action plans, implementing them, assessing whether they had achieved the desired outcome and, if not, re-planning. Management systems are eminently auditable, and are good indicator of the likelihood of compliance across a range of issues: they are '*the difference between a good company and a bad company*'.[33]

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[31] Patrick Mallet, *pers. comm.*
[32] D. Sheil & A. Lawrence (2004). Tropical biologists, local people and conservation: new opportunities for collaboration. Trends in Ecology and Evolution Vol.19, No.12, pp 634-638.
[33] Dave Mclaughlin, *pers. comm.*

4. Focus the standard

Having been heavily involved in developing standards, including the original RSPO Principles and Criteria, I now wish I had advocated for a different approach, more focused on key sustainability outcomes with clear metrics, rather than aiming for comprehensive coverage of sustainability.

My proposal is that the standard should be focused to the key social and environmental outcomes listed in the preceding point.

However, there is a potential trade-off between having a focused, outcome-based standard and maintaining a broad stakeholder base, because part of the reason that sustainability standards are broad is because different issues are critical to different stakeholders. If this trade-off proves undesirable, there is, precedence within sustainability certification of taking a graduated approach to a standard. My proposal is that a mandatory minimum for certification would be limited to the key social and environmental outcomes. On achieving these outcomes, a company would be given a set number of years to achieve additional tranches of the Principles and Criteria, otherwise the certificate would be lost. Alternatively, the 'non-critical' requirements could be audited for continual improvement with milestones and complete compliance set for a future date. Either way, it will be important to have a mechanism to prevent companies reaching the minimum level and not progressing.

Broadly similar approaches can be found within the RSPO (the SHARP initiative for smallholders) and stepwise certification within the FSC. One advantage of such an approach is that it would make auditing much cheaper for companies, particularly in the early years, because auditing would not need to cover all of the Principles and Criteria. Another is that auditors could focus their time and resources. The starting level would also cover the key outcomes demanded by many companies higher up the supply chain.

5. Risk-based approaches

There are two elements to risk-based approaches: identifying the elements of the standard that are most likely to be critical in a particular geography (e.g. areas of high deforestation risk), and detecting anomalies in auditor performance (e.g., where a lead auditor issues fewer or more corrective action requests than other auditors assessing similar companies). The first element offers the potential to focus the effort of audits to where it is likely to be most needed, as well as focusing independent surveillance audits by the accreditation body. The second element could improve auditor performance through the knowledge that their performance is scrutinised.

In essence, this is an evolutionary approach: investing in, systematising and formalising the approaches that the best certification bodies and companies already employ[34]. Collaboration between the standards setting body, certification body and accreditation body is required to deliver it. However, there are revolutionary elements disguised within this apparently incremental approach: the potential to shift the emphasis of certification systems from an overseer of compliance to provider of information to certifiers, companies and external stakeholders; and possibly a shift in the fundamental approach of auditors.[35] Not all will see this approach as fair though: the cost of audits will be higher for companies in high-risk locations. Risk-based approaches can also lead to mistakes if not well designed or implemented, in that by focusing on expected risks, non-compliance in low risk areas can be missed[36].

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[34] By this I mean that any responsible certification body would ensure that the composition of the team and the time available to them would be larger in, for example, and area of high biodiversity, or with a company that known to have been in serious non-compliance in the past. Likewise, risk-based approaches are a common approach for prioritizing action within complex operations and complex supply chains.

[35] Albersmeier et al. hypothesise that risk-based approaches might incentivise a shift in auditor behaviour away from correctly completing checklists (i.e., rewarding activity) towards ensuring that the audit is high quality (i.e., rewarding results). Friederike Albersmeier, Holger Schulze, Gabriele Jahn & Achim Spiller (2009). The reliability of third-party certification in the food chain: From checklists to risk-oriented auditing. Food Control, Volume 20, Issue 10, pages 927–935

[36] For example, auditors might pay less attention to forced labour in a context where it is not often reported – and therefore considered low risk – even though it might be happening in the company being assessed.

An important lens for all of these suggestions is the extent to which they are likely to increase or decrease the cost of auditing to smallholders. I would expect the first and second suggestions to result in a modest cost increase: an escrow fund would need administering, and there would be a modest cost to certification bodies in improving the quality of auditors – and presumably these costs would be passed on, including to smallholders. The final three proposals should all reduce the cost of audits for smallholders: much of the suggested monitoring would be done on an area basis and should be financed be mills (or plantation/mill companies); a simpler standard will overcome a major barrier that smallholders face; and they are low risk for some elements of the standard. So whilst these suggestions don't in any way overcome all of the barriers and lack of incentives that smallholders face in gaining certification, they would on balance reduce the cost and complexity of certification for smallholders.

These five suggestions are ambitious, certainly, as they include actions that will reduce some of the immediate issues with sustainability auditing whilst paving the way for an evolution of certification. Others will have different ideas about what needs to be done. Most important, though is that we face and debate this critical area of sustainability practice, and that the system delivers to the expectations and needs of the many stakeholders.

9   Acknowledgements

Why we are here
To stop the degradation of the planet's natural environment and to build a future in which humans live in harmony with nature.